

BUSINESS CONTINUITY PLANNING

A guide for senior postal officials and supervisory authorities.

Postal Operations

Chapter 1: Business Continuity Planning

Where BCP fits within the Post:

- ✓ What is BCP.
- ✓ BCP and Risk Management.
- ✓ Three pillars of BCP.

Why do BCP?

Asking why a post should do Business Continuity Planning (BCP) is like asking why we should buy an insurance policy. In fact BCP is very much like insurance. It is designed to reduce the consequences of risk. Generally, insurance will provide money to help the Post get back to the "restore point". It may not compensate for all losses, but a well-designed insurance plan balances coverage and affordability.

Where insurance transfers some of the risk of loss from the Post to the insurer, BCP reduces or mitigates the consequences of risk. In a simple example, theft insurance may replace a stolen computer. Having a data back-up will help you get back in business again.

The example of the computer back-up is important to keep in mind as many of the methods followed in BCP have been adapted from information management. Like the information specialist, the Postal manager must ask:

- What might happen,
- What will be the impact and
- How can I lessen that impact.

These same questions are examined in Enterprise Risk Management (ERM). Indeed, BCP is part of the ERM process. ERM extends beyond BCP by adding the transfer of risk. That can be through insurance or through other means such as

liability clauses in contracts. BCP improves the risk profile of the Post through the reduction of the likelihood of loss, the magnitude of loss and the impact of loss. In this way, it can reduce insurance costs. Because it helps to make a business more resilient, it can even be a regulatory requirement.

As in ERP, it is critical to identify the top risks. These may be a change in the demand for postal products, costs increasing due to higher employer pension contributions or business interruption. BCP focuses on the latter.

BCP can be said to be a process that “identifies an organization’s exposure to internal and external threats and synthesizes hard and soft assets to provide effective prevention and recovery for the organization, whilst maintaining competitive advantage and value system integrity.”¹

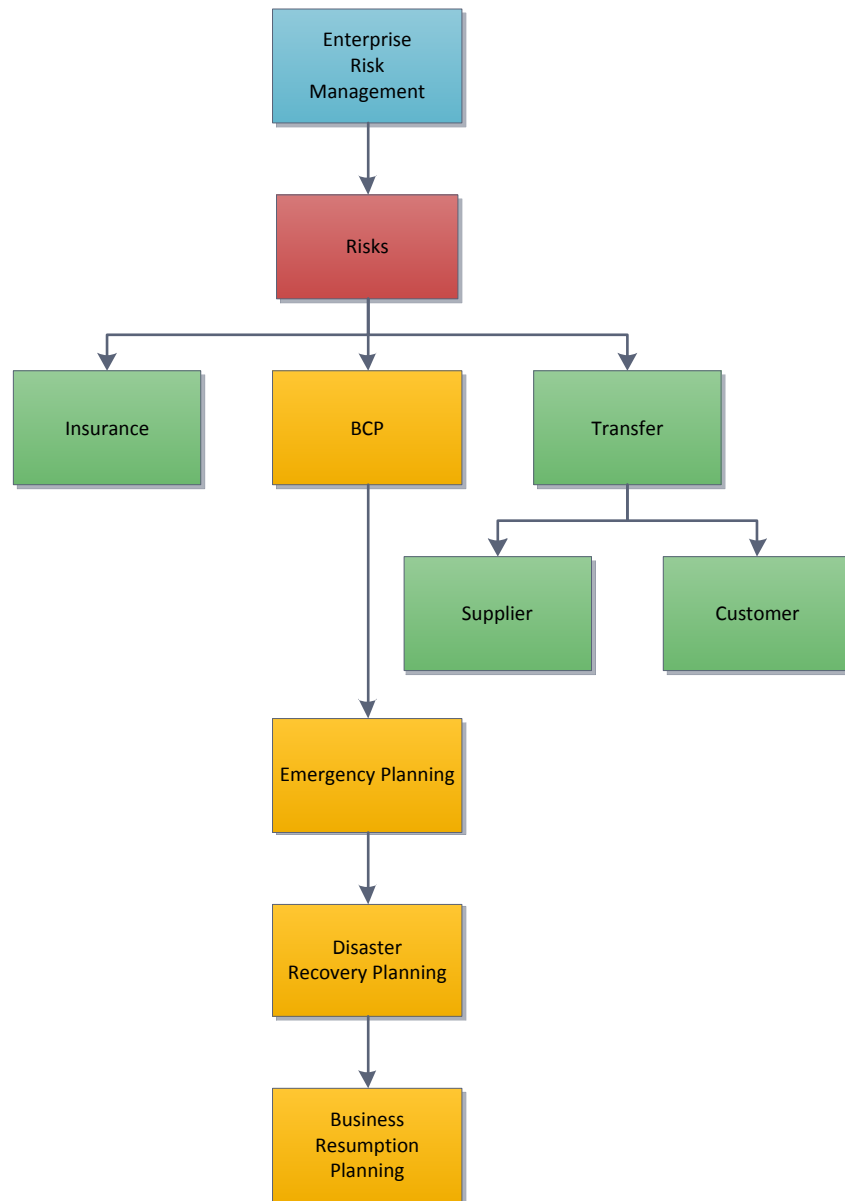
BCP is not a single step, it is composed of three pillars. These represent the stages that are followed in dealing with an interruption to a business process. The pillars are Emergency Planning, Disaster Recovery Planning and Business Resumption Planning.

They need to be developed in a coordinated manner as the outcomes of the preceding stage are the baseline for the next. While more complex, and with many more steps it is like parking a car, leaving it and returning to drive it away. There are steps that need to be followed in the first stage, and that will have a direct impact on the second stage, that of driving it away.

The following chart outlines the ERP process and how the stages of BCP fit with in it. This is not the roadmap for the preparation of a Business Continuity Plan. This is outlines in a later chapter.

¹ Elliot, D.; Swartz, E.; Herbane, B. (1999) Just waiting for the next big bang: business continuity planning in the UK finance sector. *Journal of Applied Management Studies*, Vol. 8, p. 48.

Risk Management Process



Chapter 2:

Risk Assessment

Where Does BCP fit in Risk Assessment:

- ✓ What is Risk.
- ✓ Risk Grid.
- ✓ Risk and BCP.

Risk vs Threat

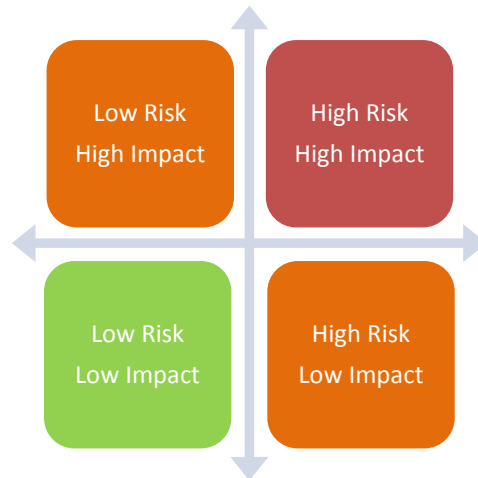
In the assessment of what can happen to a Post a threat is an event that can happen and can have a detrimental impact on the Post. Risk is the product of the probability of a threat occurring and the expected economic loss from the threat. This rather mathematical approach is not cost effective in addressing the needs of a single post office, or even the needs of all but the largest Posts.

Instead, an identification by management of the threats to the Post and then subsequently their classification in a risk grid is an effective approach. Examples of threats would include:

- Change in demand for postal services
- Increase in cost of providing service due to increased pension contributions
- Loss of reputation due to serious fraud
- Loss of a facility due to fire or other accident
- Natural disasters such as earthquake, flood or storm
- Inability to obtain a good or service that is vital to the Post
- Civil unrest
- Epidemic outbreak

Threats are then classified according to impact and likelihood. The resulting grid then allows managers to focus on the top ten risks that the Post or a postal facility faces.

Risk Grid



Risk and BCP

Using the risk grid as a starting point, it is possible to start to direct efforts to the highest priority risks. At this point managers may even wish to validate their assessment with civil protection agencies. For example, while the Post may consider the risk of epidemic to be low, public health authorities may have a different view. Opening that dialog early may even cause the public health department to examine the role that the Post can play in their emergency response.

Some civil protection agencies have come to view the Post as a first line for information during an emergency. Who is better placed than the Post to inform as to what is happening community by community, street by street. The Post has offices in every community and with household delivery staff the Post collectively knows where people live better than any other branch of government.

Chapter 2: Risk Assessment

Involvement of civil protection, customers and suppliers at this stage has other benefits. In the case of suppliers, it may cause them to think about their BCP and to reassess how they plan their business recovery. Customers will see the Post as a reliable supplier and if they follow the Post's example will be more robust users of the Post's services. This in turn contributes to the Post's viability. There is little point in a Post being at 75% effective capacity following a catastrophe, if there is no mail to deliver.

In addition, participants at this stage will be more inclined to participate in Tabletop Exercises. These will be addressed in Chapter 7.

Chapter 3:

Building the Plan

Information and Processes:

- ✓ Information gathering.
- ✓ Documentation.
- ✓ Assume that your office is off limits.

In the event of a disaster you cannot assume that you will have access to the information that is in your office, or to the people who “know”. You may not have electricity, computers may have been damaged, phone lines may be down, paper may be scattered, buried under mud or burnt.

Document key personnel

Being able to reach your key team members, and they theirs is a key responsibility. Keep a copy and a paper back up of names, addresses and phone numbers. Since disasters happen on holidays too, make sure that your team knows that it is their responsibility to let you know how to contact them.

Don't just document the key personnel, make sure that they have back-ups. These people are the ones that you can't do without. It is not a question of rank or seniority. It is what the job do and the knowledge that they possess. Operations, Logistics, Finance, Procurement and Human Resources probably fall into this category. Sales, Marketing, Product Management, Legal and Strategy will be necessary later in restarting the business but are not critical at the first stage.

Identify who can work remotely

Since your offices may not be accessible, you may find that some people are able to do their jobs from home.

External contacts

Who do you need to contact at an airline, fuel supplier or ministry? Circumstances permitting, you may need to be able to contact senior police and fire officials. The first responders have their hands full. Do not expect them to help you gain access to a vault, mail or some piece of critical equipment that is in a damaged building. Having established a relationship beforehand with senior officials a phone call to them can facilitate your job in getting to information and property.

Critical equipment

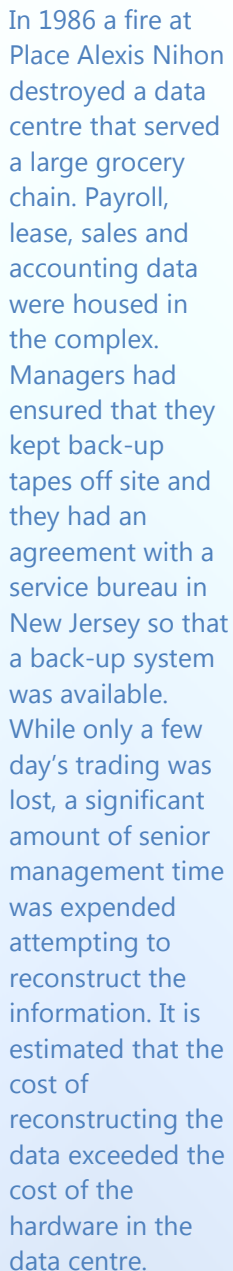
Have a list of your critical equipment. This is not an inventory, although you should keep an off-site copy of that for other purposes. This is a listing of what, who supplies it and who can repair it.

Critical documents

Identifying and maintaining off-site copies of critical documents can make or break a business recovery. Scanners are now readily accessible and remote cloud storage makes it easy and inexpensive to maintain a mirror of your critical documents. In addition, maintaining paper copies of many documents in other locations can be a quick way to preserve the information. Keeping copies of insurance policies, process flows, key contracts, personnel records, software licenses, accounting records and your BCP is an inexpensive way to mitigate risk.

Contingency location

Whether for a central post office or a delivery office, part of a good plan includes the identification of a contingency location. In the case of an administrative office, that could be a hotel. If you have identified a location, include it in your BCP.



In 1986 a fire at Place Alexis Nihon destroyed a data centre that served a large grocery chain. Payroll, lease, sales and accounting data were housed in the complex. Managers had ensured that they kept back-up tapes off site and they had an agreement with a service bureau in New Jersey so that a back-up system was available. While only a few day's trading was lost, a significant amount of senior management time was expended attempting to reconstruct the information. It is estimated that the cost of reconstructing the data exceeded the cost of the hardware in the data centre.

Chapter 4:

Emergency Plan

People First:

- ✓ Facility by facility
- ✓ Documentation
- ✓ Test, check, change
- ✓ Practice

While some disasters may be on a very large scale such as a hurricane, most are very local. For example, fires destroy postal delivery offices every year.

It is most effective if similar facilities have consistent plans. That way the investment in time, training and the tools provided will be the same. It also facilitates the reassignment of personnel.

People first

The safety and security of personnel is the top priority. Evacuation or “take cover” drills are essential. Mustering points should be identified and every one should be informed and reminded. Marshalls responsible for clearing a building need to be recruited from the staff and trained. Supervisors and their back-ups should know where to turn off power and gas lines.

Do not stop with your employees. Following many disasters homes are destroyed and families separated. People who are looking for family members or who have lost their homes may not be coming to work. If there is enough advance notice, try to encourage the evacuation of families. If there is not time to evacuate you need to consider providing assistance in helping in the reuniting of families. This may necessitate asking employees from non-affected areas to come in to assist in disaster recovery

Chapter 4: Emergency Plan

while those living in the affected area are looking after more personal needs.

In an emergency people react differently. Some panic, some keep working, waiting to be told what to do and others follow the instructions that they were given one time. In the circumstances, evacuation drills are a best practice. They ensure that people are comfortable with the process and that they know where to go.

Tools

In addition to having a copy of the Business Continuity Plan and basic safety equipment such as fire extinguishers, flashlights, water, blankets and first aid kits, it is wise to have some tools such as:

- garbage bags,
- pails,
- rags,
- gloves,
- a pump,
- a pry bar,
- basic hand tools and
- a shovel
-
- These allow local staff or locally hired staff to perform the most basic of clean-up provided that it is safe to do so. Do not expect that these tools will be readily available after a disaster. Check monthly for loss or spoilage of the tools.

Communicate the plan

Make sure that people know that there is a plan, how it relates to them and where to find a copy. If a disaster happens outside of working hours your plan may include advising people to report to the alternate site, or in some cases not to report to work.

Chapter 5: Disaster Recovery Plan

Establishing Basic Services:

In the wake of a disaster, it may be some time before it is possible for postal services to return to normal. This may be due to the lead time to obtain equipment, the availability of funds or simply the normal time required to restore. This period from the time of the emergency to the restoration of the business is referred to as Disaster Recovery. In postal terms it is a period when initially only the most basic of postal services may be available. The Emergency and Solidarity Fund of the UPU may be available to assist in establishing basic services.

Planning and flexibility

According to the risk assessment that is performed in the initial planning stage, responses are prepared and documented. For example, in preparation for the loss of a major processing plant, a post may maintain labeling and sorting instructions in a plant in another city. While mail may be delayed by several hours due to later processing and transportation, it enables the post to continue to offer service. This is not the same as redundancy. In the case of a postal network that would not be affordable.

An example of a recovery plan involving a delivery office and counter damaged by a flood could be as follows:

- Day 1
 - Mail shuttle advised to bypass the office or directed to off load mail at another office
 - Power shut off
 - A sign advising customers of next closest office.
 - Letter carriers advised to go to alternate site in the afternoon vs. the morning

Chapter 5: Disaster Recovery Plan

- Alternate site has copies of sorting case labels so that it is possible to sort mail by walk at that location
 - Damaged and undelivered mail recovered
Damaged mail sent to undeliverable mail office for treatment (disinfection, drying & bagging)
 - Portable generator brought from central post office
 - Water pump activated
 - Day 2
 - Insurer contacted
 - Public works department requested to conduct a site survey (engineering)
 - Water pump removed and cleaned
 - Fans rented to help dry the site
 - Day 3
 - Power reestablished
 - Generator returned to central post office
 - Day 4
 - Engineering report received with estimates for repairs
 - Fans returned
 - Contract for a temporary revenue office (counter) signed
 - Alternate site continuing to operate
 - Day 7
 - Contracts signed for repair work
 - Replacement floor scale ordered
 - Customer notice changed to indicate anticipated date of restoration of service
 - Day 14
 - Postal delivery facility and counter re-opened
- ✓ It should be noted that in this illustration, because of the relatively minor nature of the loss, both disaster recovery and business resumption are covered. Steps from Day 2 on are part of Business Resumption.

At 03:32 on April 6, 2009 a magnitude 6.3 earthquake struck near the city of L'Aquila, Italy. 308 people died, 1,500 were injured and 50,000 were left homeless. 30,000 of them were housed in temporary tent cities. The historic centre of the city, including post offices were condemned.

On April 7, the first mobile post office arrived. Within a small van there was a postal counter complete with banking services connected by satellite and delivery capacity.

It is not uncommon for the two stages to flow this way in the case of smaller losses. In more significant cases where the losses are bigger and the time to restart normal service is longer, the business resumption can last months or more.

In the case of the earthquake that struck Haiti on January 12, 2010 the UPU financed the erection of a tent on land adjacent to the Port au Prince airport. This was part of disaster recovery. The eventual construction of a permanent facility and is part of business resumption.

Chapter 6: Business Resumption Plan

Restarting the Post:

Business resumption plans are a reflection of the complexity of the business unit and the extent of the loss. In the case of a single delivery office, a plan is relatively simple but still requires forethought. In the case of an event such as a labour disruption that has closed the post for a week or more the process has more steps, but the logic is similar.

Principles of a Recovery Plan

Certain basic principles apply no matter the size of the disruption or the size of the Post. Safety of employees and customers must be assured. Key functions must be started first. Even key functions need not be at 100%, but there is a baseline of performance that is required. Staff need to know the plan. Customer communication is critical.

Planning considerations

- List the major functions and activities of the Post and of each facility in developing the facility plan.
- Determine which activities are critical. For example, some activities of the finance department are critical. The ability to pay suppliers and employees and to receive payment is critical (treasury operations). Audit is less critical. Consider what must start, what can be postponed.
- Assign a priority to each activity:

- Day 1 = Priority 1
 - Days 2 to 4 = Priority 2
 - Days 5 to 7 = Priority 3
 - Days 8 to 10 = Priority 4
 - More than 10 days = Priority 5
- Develop an objective for each activity. This means a level of service or production that must be met. In the case of Priority 1 this can mean that the director of operations is present and has communications at the alternate site within 4 hours, or that 50% of customer calls can be answered at the alternate call centre within 3 days (Priority 2). These priorities are examples only. Each Post must determine its own Priority levels.
 - Determine the minimum needs for initial response. Communicating with employees, suppliers and major customers requires that a Post have access to its back-up information. This may be in an agenda book or a mobile phone or stored remotely.
 - Ensure that you have senior management and ministry or regulator buy-in for this plan. It is counterproductive to have changes being made to priorities during the resumption phase. The inclusion of senior management, ministry and regulators in tabletop exercises ensures that there is an understanding of their perspective and that they understand and agree with the process, before there is a real disaster.
 - To the greatest extent possible, delegate planning to the people who normally do the work. They understand the work, will better know the plan and will see it as theirs. It is most likely to succeed with their support.
 - In documenting the plan, focus on the interruption, not the cause. For example, facility lost, data lost, supplier shut down. Consider the personnel required, external services or equipment required in each step and the cost.
 - Communicate the plan to employees. They need not see all the details (for security reasons some aspects could be compromised if revealed too early). But, they need to know that there is a plan, that it has been approved by senior management and that what they need of the plan is accessible when required.
 - Store copies off site as well. You have no assurance that you will be able to get to a copy that is in a damaged facility.

Who does what

It can be a significant challenge to explain to a chief executive that he or she should not be leading the business resumption efforts. However, this is a role that should be assumed by the operations lead. The CEO will be busy with other matters. Given the importance of the Post, politicians, ministries, regulators, media and customers will need reassurance. The chief executive must be familiar and confident in the plan so that he or she can communicate that confidence and the key messages to these interested parties. The senior operations staff need to assure the day by day working of the plan, briefing the CEO several times a day.

If an operations centre can be established with communications facilities and blackboards, charts and maps it can be used to track progress and to hold the briefings. No matter how complex the situation, the briefings must be short and focused. If not they become a substitute for working to the plan.

Briefings organized for the community, including the media will provide confidence among all concerned, including employees that there is a plan and that it is being followed.

Chapter 7

Testing, Adapting & Updating

As with any business process, the Plan, Do, Act, Check (PDAC) methodology should be adapted. Obviously it is not desirable to create an actual disaster. Instead, a tabletop exercise or simulation of an emergency situation is conducted in a non-judgmental informal environment. The participants should be decision makers in the Post, and if possible and appropriate, similar officials from ministries, first responders, suppliers and even major customers. The focus is on testing and training.

The tabletop starts with a problem statement that is derived from the risks identified in the risk assessment phase. It may be a verbal presentation or it can be quite detailed with plans of facilities, maps and "eye witness" accounts. In such a detailed case the facts are often introduced over time in the form of "field reports". The participants will have a copy of the BCP.

It is important not to rush through the scenario, but rather to carefully analyze the situation and allow participants to fully discuss responses and the plan.

At the conclusion of the exercise the Post should be able to confirm if the measures in the BCP are effective, and what corrections are necessary.

Lastly a BCP is living document it should be reviewed and revised periodically.

Annexes:

Scenarios:

Four scenarios are annexed. They are designed to encourage a dialog within a Post. They should not replace an internal risk assessment and the preparation of a full BCP.

1. Fire Scenario
2. Supplier Failure Scenario
3. Power Failure Scenario
4. Epidemic Scenario

Post Office Fire

Scenario

- At 2 a.m. there is a fire in the Peggy's Cove post office. The postmaster reports the incident at 2:20 a.m.
- At 5 a.m. the first truck is to arrive with mail for letter carriers.
- At 6 a.m. letter carriers report for work.
- At 2 p.m. the fire department advises that there is structural damage and that the building is unsafe to enter.
- The following day a preliminary engineering report estimates that it will take 2 months to repair. The office has a counter with 300 mailboxes and 4 letter carriers who use motorcycles. The motorcycles were not damaged.
- The next closest office is 6 miles away.

Emergency Plan

Disaster Recovery Plan

Business Resumption Plan

Observations

Supplier Failure

Scenario

- After the close of business the local radio station reports that Kingfisher Airlines (KFA) has filed for bankruptcy.
- Kingfisher Airlines is the principal airline serving the islands in your country including domestic flights. KFA has a fleet of leased 737's and smaller Dash 8 aircraft.
- KFA's main competitor Entrepreneur Air (EA) has only Dash 8's, but can acquire leases and crew with a 4 month lead time.
- Southern Airways operating from Miami flies 767's twice a day to the capital.
- Purple Parcel offers a daily cargo flight from the US.
- Overnight car ferries cannot take vehicles weighing more than 2.5 tons fully laden.
- At 6 p.m. your legal advisor informs you that Kingfisher Airlines has surrendered its operating license.

Emergency Plan

Disaster Recovery Plan

Business Resumption Plan

Observations

Storm and Power Failure

Scenario

- Friday 10 p.m. the US National Weather Service - National Hurricane Centre (NHC) reports that it is tracking a tropical storm developing in mid Atlantic. It is expected to make first landfall over your country on Tuesday at 4 a.m.
- You are the manager of the Baskin’s Bay Post Office, the second largest office in the country. It was built in 1985 to then current codes.
- The office is 5 metres above sea level.
- In the office you have mail cancelling equipment, automated counters and parcels that have cleared customs but for which duties have yet to be collected.
- 10 letter carriers also work out of the office. They use motorcycles to do their routes. The motorcycles are parked in a compound each evening.
- On Monday at 2 p.m. you learn that due to the amount of rain you may experience minor flooding.
- The local mobile telephone provider has an effective system with redundancy.
- At 4:30 am on Tuesday all electrical service is lost, but telephone and Internet are available.

Emergency Plan

Disaster Recovery Plan

Business Resumption Plan

Observations

Epidemic

Scenario

- On January 22, China reports a second fatality from H5N1 (bird flu). Other cases are reported in Vietnam and Cambodia.
- The mortality rate for H5N1 is 60%.
- On May 25, in anticipation of the risk of the virus arriving in your country. The government orders doses of an anti-viral medication for the entire population. The medicine will not be released until ordered by the Minister of Health.
- Your national health service relies on the post to deliver medicine outside the capital city.
- On October 15 a flu vaccine that protects against H5N1 is purchased by the government but due to production constraints is only available for 10% of the population.
- On November 15 the World Health Organization declares an H5N1 pandemic.
- On November 16 PartyLife Cruises the largest cruise line visiting your country offers customers the option of rebooking to a later date. Within hours, thousands take advantage of this offer. Other cruise lines and tour operators follow suit.
- Post office counters are used by the government to deliver monthly government pensions to 5,000 retired civil servants and other pensioners.
- Last year, your post office launched Giro payments services with the United States, Canada and Great Britain. Already, each month family remittances of over \$3,000,000 are being processed.
- During collective bargaining last year, the government indicated that it was prepared to declare the post office an essential service.

Emergency Plan

Disaster Recovery Plan

Business Resumption Plan

Observations
